

**DEPARTMENT OF SOCIAL AND HEALTH SERVICES  
MEDICAL ASSISTANCE ADMINISTRATION  
Olympia, Washington**

**To:** Free Standing Psychiatric Hospitals  
Hospitals  
Managed Care Organizations

**Memorandum No: 06-27**  
**Issued:** May 31, 2006

**From:** Douglas Porter, Assistant Secretary  
Health and Recovery Services  
Administration (HRSA)

**For information, contact:**  
800.562.3022

**Subject: Inpatient Hospital Psychiatric Services: Fee Schedule Changes**

**Retroactive to dates of admission on and after July 1, 2005**, the Health and Recovery Services Administration (HRSA) implemented new base rate payment methods for Inpatient Psychiatric Services. The new base rate payment methods affect payments made for inpatient psychiatric services provided in participating community hospitals and participating free-standing psychiatric hospitals.

**What has changed? [Refer to [WAC 388-550-2650](#)]**

The 2005 Washington State Legislature developed new base payment methods for Inpatient Psychiatric Services that apply to Medicaid and for non-Medicaid clients. The payment method affects Inpatient Psychiatric Services paid under the Ratio of Costs-to-Charges (RCC), Diagnosis Related Groups (DRG), Certified Public Expenditure (CPE), or Critical Access Hospitals (CAHs) payment methods. HRSA will determine payment using a minimum of a per diem base rate of \$400 for non-Medicaid clients in hospitals that accept commitments under the Involuntary Treatment Act (ITA), and a minimum of a per diem base rate of \$550 for Medicaid clients in free-standing psychiatric hospitals that accept commitment under the ITA.

**Medicaid verses Non-Medicaid**

HRSA has created two separate per diem base rates for community psychiatric hospital payments - one for non-Medicaid clients and one for Medicaid clients. Non-Medicaid clients include clients who are eligible for Alcoholism and Drug Addiction Treatment and Support Act (ADATSA), General Assistance-Unemployable (GA-U), ITA (Q), and Psychiatric Indigent Inpatient (PII) programs. The rates are determined by the client's eligibility program and Medicaid Management Information System (MMIS) match codes at the time of service.

## **Certified Facilities [Refer to WAC 388-865-0500 through 0531]**

This new payment methodology applies only to facilities that are licensed by the Department of Health (DOH). The licensed community hospital must have one of the following:

- A certification from the Mental Health Division (MHD) as an Evaluation and Treatment Facility;
- OR -
- A single bed certification by MHD to provide treatment to involuntarily committed clients and the facility has admitted clients under the ITA.

The facilities must be within the boundaries of Washington State. HRSA will not pay border areas or out-of-state facilities under this new payment methodology.

## **Diagnosis Related Groups (DRG) Payment Methodology [Refer to WAC 388-550-2800]**

Under the DRG payment methodology, HRSA calculates the maximum allowable rate using current DRG payment rules.

HRSA divides the DRG maximum allowable rate by the number of HRSA-approved days on the claim to determine a per diem maximum allowable rate. HRSA will then compare the DRG per diem maximum allowable rate to the new per diem base community psychiatric hospitalization payment rate. If the per diem base rate is greater than the original DRG per diem maximum allowable rate, HRSA will use the base rate methodology to determine the maximum allowable amount for the claim. If the DRG per diem maximum allowable amount is greater, HRSA will use the current DRG payment methodology to determine the maximum allowable amount for the claim. HRSA does not include the client responsibility and third-party liability amounts on the claim during the calculation of HRSA's final payment to the hospital.

## **Ratio of Costs-to-Charges (RCC) Payment Methodology [Refer to WAC 388-550-2800]**

Under the RCC payment methodology, HRSA calculates the maximum allowable rate using current RCC payment rules.

HRSA divides the RCC allowable rate by the number of HRSA-approved days on the claim to determine a per diem maximum allowable rate. HRSA will then compare the RCC per diem maximum allowable rate to the new per diem base community psychiatric hospitalization payment rate. If the per diem base rate is greater than the original RCC per diem maximum allowable rate, HRSA will use the base rate methodology to determine the maximum allowable amount for the claim. If the RCC per diem maximum allowable amount is greater, HRSA will use the current RCC payment methodology to determine the maximum allowable amount for the

claim. HRSA does not include the client responsibility and third-party liability amounts on the claim during the calculation of HRSA's final payment to the hospital.

### **Certified Public Expenditure (CPE) Payment Methodology** **[Refer to WAC 388-550-4650]**

Under the CPE payment methodology, HRSA calculates the maximum allowable rate using current CPE payment rules.

HRSA divides the CPE allowable rate by the number of HRSA-approved days on the claim to determine a per diem maximum allowable rate. HRSA will then compare the CPE per diem maximum allowable rate to the new per diem base community psychiatric hospitalization payment rate. If the per diem base rate is greater than the original CPE per diem maximum allowable rate, HRSA will use the base rate methodology to determine the maximum allowable amount for the claim. If the CPE per diem maximum allowable amount is greater, HRSA will use the current CPE payment methodology to pay the claim. HRSA does not include the client responsibility and third-party liability amounts on the claim during the calculation of HRSA's final payment to the hospital.

### **Critical Access Hospitals (CAHs) Payment Methodology** **[Refer to WAC 388-550-2598]**

Under the CAH payment methodology, HRSA calculates the maximum allowable rate using current CAH payment rules.

HRSA divides the CAH allowable rate by the number of HRSA-approved days on the claim to determine a per diem maximum allowable rate. HRSA will then compare the CAH per diem maximum allowable rate to the new per diem base community psychiatric hospitalization payment rate. If the per diem base rate is greater than the original CAH per diem maximum allowable rate, HRSA will use the base rate methodology to determine the maximum allowable amount for the claim. If the CAH per diem maximum allowable amount is greater, HRSA will use the current CAH payment methodology to determine the maximum allowable amount for the claim. HRSA does not include the client responsibility and third-party liability amounts on the claim during the calculation of HRSA's final payment to the hospital.

### **How do I conduct business electronically with HRSA?**

You may conduct business electronically with HRSA by accessing the WAMedWeb at <http://wamedweb.acs-inc.com>.

## How can I get HRSA's provider documents?

To obtain HRSA's provider numbered memoranda and billing instructions, go to HRSA's website at <http://maa.dshs.wa.gov> (click on the ***Billing Instructions/Numbered Memoranda*** or ***Provider Publications/Fee Schedules*** link).

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